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SENSITIVE

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TAGS: [ETRD](#) [ECON](#) [BR](#)  
SUBJECT: Brazil: Cachaga and Tennessee Whiskey

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) Summary: William Foster, Assistant Administrator of the Treasury Department's Alcohol and Tobacco Tax and Trade Bureau (TTB), met with Agriculture, External Relations, and Receita Federal (Brazilian Customs) on October 29th to propose a Memorandum of Understanding, discuss new Brazilian alcohol regulations, and exchange updates on pending rules governing market access of cachaga (Brazilian rum) in the U.S. market and bourbon and Tennessee whiskey in the Brazilian market. End summary.

¶2. (SBU) During Foster's technical meeting with Celio Porto, Under Secretary for International Affairs in the Brazilian Ministry of Agriculture (MAPA) and other MAPA officials on October 29, 2008, Foster presented a draft information sharing Memorandum of Understanding (MOU) for MAPA's review and consideration. Foster highlighted TTB's MOUs with China and Italy and current negotiations with France, noting an MOU with Brazil would increase communication between the two governments and provide a forum for cooperation and mutual understanding. Porto drew attention to the shared responsibilities within the Brazilian government pertaining to an MOU of this type, and stated that MAPA could not sign an MOU on behalf of other Ministries. Foster offered the option of adjusting the text as deemed appropriate by MAPA. MAPA agreed to review the proposal and provide feedback.

¶3. (SBU) Foster raised USG concerns regarding Brazil's new regulations for wine and distilled spirits. MAPA officials stated that there had been several public hearings on these new norms and many comments, both internal and external, were received. MAPA has reviewed and started replying initially to the comments related to mixed alcoholic beverages. Due to the large number of comments, substantial changes had been made to the new regulations for mixed alcoholic beverages, and a new public hearing will be conducted soon. Porto noted that many Brazilian alcohol regulations were out-dated, requiring that MAPA review these regulations and change certain norms.

¶4. (SBU) When questioned about TTB's position on the recognition of cachaga as a Brazilian product, Mr. Foster explained that U.S. law makes distinctions based on class and type. Because cachaga is a type of alcohol distilled from sugar cane, it currently falls under the class of rum. Foster added that the proposed rule, which would establish cachaga as new type of rum, and would permit labeling as cachaga without reference to rum, had been written and was expected to be released soon for public comment. Foster noted that if Brazil's rules continued to omit bourbon and Tennessee whiskey from the list of distinctive products, there would be opposition to the law from the U.S. industry during the public comment period, making implementation unlikely in that scenario.

¶5. (SBU) The discussions on cachaga and bourbon and Tennessee whiskey continued during Foster's meeting with Mr. Philip Fox-Drummond Gough of the Market Access Division at the Brazilian Foreign Ministry (MRE). Gough confirmed that the GOB would establish bourbon and Tennessee whiskey as distinctive products of U.S. origin only, thereby protecting them in the Brazilian market. In return for this concession, Gough expressed his hope that TTB would speed up the passage of the rule identifying cachaga as uniquely Brazilian.

Foster confirmed that the processing time to publish a final rule would be greatly reduced if bourbon and Tennessee whisky are granted distinctive product status, given that there would then be fewer objections raised during the public comment period on the cachaga rule.

16. (SBU) Discussions with Dr. Marcelo Fisch of Receita Federal focused on tobacco and alcohol where both sides agreed that falsified undervaluing of imports for customs valuation purposes was a challenge USG and GOB shared. Both sides agreed that TTB would send to Receita Federal a draft of TTB's proposed information-sharing MOU and a letter explaining the MOU's benefits for Receita Federal's review.

17. (SBU) Comment: The concession by the GOB to work to add bourbon and Tennessee whiskey to the Brazilian list of distinctive products has been a helpful outcome of the Economic Partnership Dialogue process. This concession, confirmed during the meeting with the MRE, will help in finalizing the pending U.S. rule identifying cachaga as distinctive Brazilian rum in the U.S. A TTB information-sharing agreement with relevant GOB agencies would also be helpful in fostering further Brazilian-US regulatory cooperation.

End comment.

SOBEL